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The President's Scratch-Pad

Labor Management Cooperation—One Obstacle

TO the average person observing for the first time the field of labor relations, it is always a source of wonder, why, in the face of the obvious mutual benefits that could be obtained through labor-management cooperation, there should always be chronic strife and turmoil. Such wonderment is natural and not at all unjustified. But such people rarely get beyond the stage of wondering and seldom identify precisely those things that prevent cooperation.

But there are very serious and real obstacles to such cooperation; and if we are to be quite frank about it, one of them is the labor leader himself and his own problem, which is: "How much can I afford to cooperate? How can I appear to be a fighter in the service of the workers who follow me and be a collaborationist with management?"

His problem is one that should not be unfamiliar to Americans. It is part of our American folklore that most of the things achieved for the common good are achieved only through struggle and conflict. The labor official, as a leader in a class movement, lives by this tradition, and it is his job to nourish this doctrine and sometimes, sad to relate, to pervert it to serve his own selfish ends. He is at times required to utilize deception and outright falsehoods concerning it. He finds it expedient to maintain the fiction that concessions are only wrung from management by wrangling, conflict and sharp strategy on the part of trained union people.

This doctrine finds epitomization in the words of the labor leader, who, fol-

lowing a strike which all impartial observers declared was unnecessary, said: "We have won from this corporation those things that could only be won through a strike."

Not long ago the head of an important company told this writer that his top executives have been working for several years on a plan to institute an annual wage for all its employees. It was a difficult problem, requiring intensive study and planning.

"We will some day be able to start the plan functioning," he said. "But we know what will happen. One group of our employees is unionized; it represents less than 10 per cent of our employees, but it is a noisy and aggressive union. When the annual wage plan is announced, the leaders of this union will claim that they brought the thing about. As soon as they learned, some time ago, that we were making studies on the annual wage program, they immediately began agitating for it; and when we install the plan, they will claim it as their handiwork. However, this is going to have no effect on our plans. We are going ahead with it."

Some people would say that this company should have brought the union into its confidence and worked cooperatively in the development of the annual wage program. But to do so would have meant embracing the union and virtually installing it as the cooperating bargaining agency for all of the company's employees. But even were this done, there was nothing in the record of the union or its leaders to indicate that once

TRENDS IN BUSINESS

GENERAL OUTLOOK

The main question facing business today seems to be whether or not the history of 1921 will repeat itself—rising wages, even faster rising prices, spiralling up until a "buyers' strike" brings collapse of the whole inflated structure. Those who take this view expect the slump early next year, eighteen months after the close of the war, as in 1921.

There are both differences and similarities between the present and 1921. Certainly wages and prices have begun to chase each other in earnest, and the trend will probably continue. On the other hand, inventories are inadequate rather than over-inflated, and both purchasing power and employment are holding up well, although national income has shrunk somewhat from the high war figures. Savings are greater than in the 1914 to 1919 period, but there are indications (notably a recent survey by the Bureau of Agricultural Economics) that they are not so widely distributed as had been thought.

"At worst," says *Business Week*, "nobody is talking a 1929-32 bust, with its 55 per cent drop in industrial output. . . . Some look for a recession no more violent than the dip in 1924. At best, we may still avoid the price-wage spiral. Steady progress the rest of this year would lay the basis for prolonged prosperity."

CONSUMER SAVING

Savings during 1946 are expected to be less than last year, and below the yearly average of 1939-1945, which was \$23,300,000,000.

In addition, results of a survey just announced by the Bureau of Agricultural Economics show that some 30 per cent of the country's families have no

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Trends in Business

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savings at all, while 20 per cent hold 76½ per cent of the total. Holdings of the remaining 50 per cent range from \$50 to \$1,800.

PRODUCTION

Work stoppages and material shortages brought about a dip in production in May, but it is probable that the June figures will show an advance. Steel, for example, rose to 85.5 per cent of capacity in the week ending June 23. Increased employment in the lumber industry has brought about revision of the estimates of 1946 production—from 31,000,000,000 board feet to 34,000,000,000 board feet, a favorable indication for the construction industry.

DISTRIBUTION

Retail volume in May declined only slightly from the high April level, and is estimated at 20 to 25 per cent above the level of May, 1945. Wholesale volume, almost equal to the April figure, was approximately 20 per cent above May, 1945, and inventories were slightly above those of a year ago.

EMPLOYMENT

In May, unemployment dropped for the second consecutive month, to a total of 2,310,000. Total employment was 55,320,000, or 1.4 per cent above the April figure. Part of the rise was apparently due to seasonal increases in agriculture and the building trades, but the usual seasonal slumps in apparel, leather, and paper industries did not occur.

With the peak of demobilization past—more than 11,000,000 veterans have been discharged—the U. S. Employment Service now believes that the peak of postwar unemployment is past.

PRICES

Wholesale commodity prices continued to rise in May, reaching the highest level since January, 1921, and were about 5 per cent over the level of May, 1945. In April, the Bureau of Labor Statistics index of wholesale commodity prices stood at 109.9 (1926 = 100), an increase of 46.5 over the prewar figure of August, 1939.

SOURCES:

ALEXANDER HAMILTON INSTITUTE
BUSINESS WEEK
CLEVELAND TRUST COMPANY
DUN'S REVIEW
FEDERAL RESERVE BANK OF
NEW YORK
NATIONAL CITY BANK

HEARD AT AMA MEETINGS

FOREMAN TRAINING

International Harvester Company is planning a new training course for foremen—in human relations and company policy—which will take the participants away from their work for two weeks while they attend a central school in Chicago.

"One very interesting thing about this new training program," said Forest D. Siefkin, Vice President of the company, who spoke at the General Management Conference June 11 in New York City, "is that the request for the course came from the manufacturing departments themselves. In the past it was often difficult to get a foreman away from his department even for an hour a week for training or conference work. Today that same management wants to send its foremen away from the plant for two weeks of special training, and it is asking that every foreman be given the course. To the top management of Harvester, this is a tremendously encouraging thing; it indicates awareness of the problem and determination to do something about it all through the management group."

GOVERNMENT AND BUSINESS

The trend is more and more toward a closer integration of business and industry with government, William L. Batt, President of SKF Industries, Inc., believes.

Speaking at the General Management Conference, Mr. Batt said: "I have no doubt that this condition will grow, regardless of party and in both our domestic and international relationship. Men will have to be found to staff the agencies of government at home and the many new ones growing out of the United Nations organization . . . I want to emphasize that government, as I have seen it operate, is anxious for the assistance which experienced men from business are able to give; but if business is indifferent to the opportunity of that open door, men of lesser abilities will write the ticket."

Mr. Batt suggested that corporations revise their retirement policies to permit key executives who have qualities which particularly adapt them for public service to retire at an earlier age and enter government policy-making posts.

PROFIT-SHARING

Profit-sharing is desirable for policy-making executives, the results of whose efforts can be measured in company

earnings, Edward S. Cowdrick, New York, told the General Management Conference. In the case of operating executives and supervisors, he believes, incentive payments may well be made, but it is better to base these payments upon measurable results than upon the profits of the company. "For the rank and file of employees there is no logical or moral compulsion to share profits," Mr. Cowdrick added. "The employer is at liberty to do so or not, according to what he believes will be the best interests of the business."

The President's Scratch-Pad

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granted such "security," they would have changed their tactics.

Now it is interesting to speculate as to what would happen in the case mentioned above if the company president were not a wise and tolerant individual. Is it not conceivable that he might withhold this program of employment stabilization just to spite the union? It is interesting to speculate as to whether similar plans and benefits for rank-and-file employees have not been withheld for exactly these reasons—because, in frankness, we must also say that all management leaders are not wise and tolerant.

One thing is certain. When we speak hopefully of labor-management cooperation, we must come back to the union leader's problem. "How much can I afford to cooperate?" Many labor leaders have proved that they can cooperate all the way without danger of losing their leadership—and these in companies where management has not hesitated to give the unions credit when they have made contributions toward the solution of common problems. The belief that benefits for the common man are achieved only through conflict is only partially true, because if any comparison were made between what has been accomplished through struggle and what through peaceful cooperation, it would not be at all certain which would be the weightier.

True, some labor leaders make a fetish of the class movement and feel constrained to keep the concept of the class struggle alive. But the labor leader who holds that cooperation is not consonant with this strategy may ultimately be on the way to extinction.

Alvin E. Dodd

RESEARCH DEPARTMENT

Management Presents Management

If we are to leave behind us the dead season of our industrial relations fortunes, a prerequisite is a better understanding of management's point of view. Unfortunately, management's position has been regarded chiefly in relation to the labor union alone, to the neglect of its ties and obligations to other groups, and with little attention to the effect of union action on these groups.

Unfortunately, also, management has taken a defensive attitude. This was well illustrated in recent sessions of a university labor-management course. Company representatives became flustered on controversial issues, defending themselves by saying: "Well, I guess I'm sticking my neck out, but this is our point of view."

MULTIPLE OBLIGATIONS

The company's relationship to other groups can be cultivated by those who are in contact with them—the personnel director with the salaried staff and the firm's employees, as distinct from the union; the purchasing director with the suppliers; the sales manager with distributors and salesmen; the public relations directors with stockholders and the general public, etc.

Contributions of the unorganized wage earners and of the salaried employees, silent and unsung partners of industry, must be taken into account and made known. To give only one example of our ignorance of the facts, in a recent labor dispute the average annual income of one group of strikers was \$8,000, not much less than the average yearly salary of the assistants to top management in that industry, a fact that would have amazed the public had it become known.

The stockholders' contribution in supplying the savings to purchase the "tools" (capital equipment) of the business must be remembered and remunerated. For it is the equipment and machinery which have chiefly raised the workers' productivity and wages to their present high levels. Those who made such an improvement in the standard of living possible should surely be adequately rewarded. When profits are compared to sales and wages, absolutely and proportionately, they often form only a small amount. Similarly, the function of surplus, excess profits tax

refunds, carry-back and carry-forward, depreciation and inventory reserves should be carefully explained.

Finally, the relationship of the company to the employee rather than to the union may be stressed. As one possibility, there may be mentioned the practice, adopted by some companies, of giving their news the employee touch by letting the workers themselves write it. The employees submit contributions to an outside editor, who rewrites the material where necessary, but generally does not alter the basic ideas. Articles are regularly devoted to the stimulation of joint social activities; there are special humor and gossip columns and lots of photographs, and an attempt is made to mention every employee in print at one time or another. Thus employee loyalty is fostered on a practical basis, and the groundwork laid for a discussion of more complex issues by the employees themselves. Test observations have shown that one such employee magazine is rarely thrown away, while notoriously stereotyped publicity magazines litter the streets on the day of distribution.

New methods are required to drive home basic truths whose acceptance is vital to the successful functioning of private enterprise. Increasing use is made of writers who have both technical knowledge and the ability to convey it to others. More information, explanation, graphic presentation, and illustrations are used. Slides and films are now being made to convey this material in the most effective manner.

THE PUBLIC INTEREST

Many companies pay lip service to the welfare of employees, stockholders, the public, etc., by simply listing these parties and talking about them in generalities. But a more hopeful beginning is being made, going beyond repetition of empty phrases and giving a fuller presentation of companies' facts and practices in their relation to individual interests and to the public at large.

One or two firms have made laudable efforts in this direction, and offered in addition a general presentation of their ideas.

Thus, the Board of Directors of the Standard Oil Co. in its 1945 annual report offers "A Statement of Principles" distinguished by its candor and the tangibility of its proposals—belief in com-

petition, individual freedom, increased world trade, reduced restrictions, the development of exceptional personnel, decentralized organization, and the company's obligation to act always with a consciousness of the public interest.

Another remarkable statement is made by the General Foods Co. in its 1945 annual report, which contains a message designed to state the principles and goals of the corporation, beginning: "There can be a great future ahead for the food industry, for all industry, and for the American people. Every material requirement for sound living is at hand. We are rich in the basic resources of productive land, energetic people, and a capacity to create. This combination is the seed-bed of better living for us, and for the world—if we will have it so."

These are some of the attempts to gain and to recapture the imagination and support of those connected with the company, and especially the public at large. The next step must be to broaden the base and to evolve still better methods of presentation.

W. W. KINCAID, FIRST AMA PRESIDENT, DIES

AMA members were saddened to read of the death on May 19 of William Wallace Kincaid, one of the founders of the Association and its first president.

A founder—and until his death at 78—Chairman of the Spirella International, Inc., and active in the several Spirella companies in Canada, England, Sweden, and Denmark, AMA's first president demonstrated his understanding of management by building his business into the largest in the world in its field.

He also found time to participate in the affairs of the International Industrial Society, the English Speaking Union, the American Academy of Political and Social Sciences, the trade associations that his companies worked with, and the U. S. Chamber of Commerce, particularly in connection with its international activities, and aided in the establishment of the Unitarian Movement in his home town of Niagara Falls.

The Association joins with many of its members in acknowledging the debt that the cause of scientific management owes to Mr. Kincaid.

ACTIVITIES of the AMA

Directors Elected At Annual Meeting Of AMA Membership

Eleven new directors were elected to the Board of the American Management Association for three-year terms at the annual meeting of the Association, held June 11 at the Waldorf-Astoria, New York City.

Those chosen are Beardsley Ruml, Chairman of the Board, R. H. Macy & Company; James Tanham, Vice President, The Texas Company; Owen L. Coon, Chairman of the Board, General Finance Corporation; Thomas Roy Jones, President, American Type Founders, Inc.; W. L. McGrath, President, Williamson Heater Company; James L. Palmer, Executive Vice President, Marshall Field & Company; L. M. Boulware, Vice President, General Electric Company; Albert W. Luhrs, Engineering Consultant; James M. Talbot, Vice President, the S. S. White Dental Manufacturing Company; E. H. Conarroe, Associate Manager, Policyholders Service Bureau, Metropolitan Life Insurance Company; and Ralph H. Blanchard, Professor of Insurance, School of Business, Columbia University.

OFFICERS REELECTED

Alvin E. Dodd will continue to serve as President of the Association. Also re-elected by the Board of Directors were James L. Madden, Second Vice President, Metropolitan Life Insurance Company, Treasurer; Henry J. Howlett, Secretary; James O. Rice, Assistant Secretary, and Harold V. Coes, Vice President, Ford, Bacon & Davis, Inc., Chairman of the Finance Committee. Keith S. McHugh, Vice President of the American Telephone and Telegraph Company, heads the Association's Executive Committee.

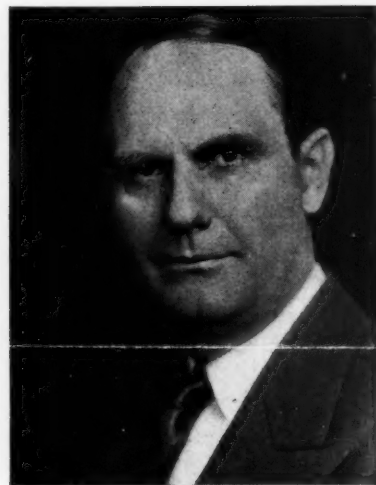
VICE PRESIDENTS

E. A. Throckmorton, President, Container Testing Laboratories, Inc. was elected Vice President for the Packaging Division, succeeding Albert W. Luhrs, who was chosen a director. Other Vice Presidents of divisions, all of whom were reelected, are: Production, L. C. Hill, Works Manager, Eagle Pencil Company; Finance and Accounts, Dr. Jules I. Bogen, Editor, the *Journal of*

NEW AND RETIRING CHAIRMEN



John M. Hancock



William L. Batt

John Hancock Elected Chairman Of Board; Succeeds W. L. Batt

John M. Hancock, Partner, Lehman Brothers, was chosen Chairman of the Board of Directors of the American Management Association at a meeting of the Board June 11, following the annual meeting at the Waldorf-Astoria.

Co-author of the Baruch-Hancock "Report on War and Postwar Adjustment Policies" and an assistant in the work of the Baruch-Conant-Compton wartime rubber committee, Mr. Hancock is presently assisting Mr. Baruch in his work as American Representative on the Atomic Energy Committee of the United Nations.

For 16 years an officer in the U. S. Navy, Mr. Hancock served during World War I in charge of the Purchase Division of the Navy's Bureau of Supplies and Accounts, with the rank of commander. He was also a member of the Requirements Division of the War Industries Board.

Mr. Hancock has been a partner in Lehman Brothers since he resigned from the Navy in 1919, and has been active in the Jewel Tea Company, as President, Chairman of the Board, and now as Chairman of the Executive Committee. He has also been prominent in management as director of more than a score of other industrial firms.

In 1945, Mr. Hancock was awarded the Henry Laurence Gantt Memorial Gold Medal by a board composed of representatives of the AMA and the American Society of Mechanical Engineers for "distinguished achievement in industrial management as a service to the community."

Mr. Hancock succeeds William L. Batt, President of SKF Industries, Inc., and former Vice Chairman of the War Production Board, who had served since 1940.

Commerce; Insurance, I. M. Carpenter, Manager, Insurance Department, Ebasco Services, Inc.; Marketing, A. A. Stambaugh, Vice President, Standard Oil of Ohio; Office Management, I. O. Royse, General Office Manager, Ralston Purina Company; and Personnel, Guy B. Arthur, Jr., Vice President and Director, The American Thread Company.

AMA Membership at All-Time High

AMA completes its 1946 fiscal year with the largest membership in its history, more than 9,000, and statistics indicate that increased interest was shown in virtually every phase of its activities.

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